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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

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(Information as of noon EDT, 1 August 1968)

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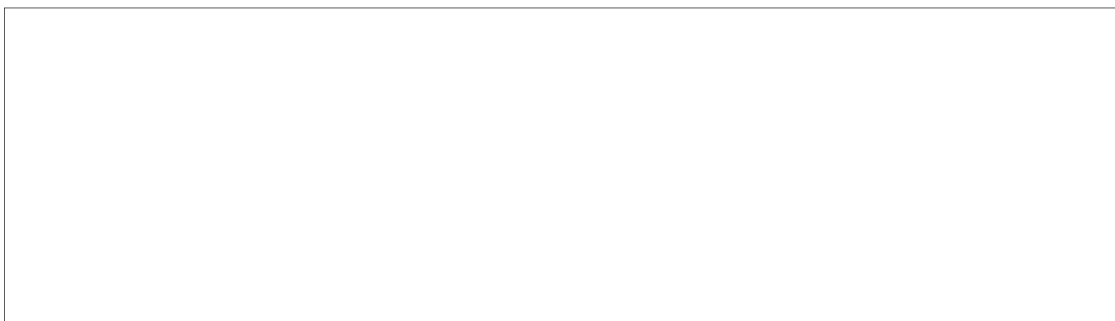
The recent disturbances are a classic example of the Communists' ability to divert a peaceful demonstration into a major riot. Mounting student grievances over police treatment are aggravating the poor relationship between students and government.

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The Bahamas will probably gain minor constitutional adjustments in talks with the British next month, but no basic change in the present governmental arrangement is likely.

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EUROPE

All Europe this week awaited the outcome of the Czechoslovak-Soviet confrontation at Cierna nad Tisou. The wait proved longer than expected before the announcement on 1 August that this meeting had ended and that a collective conference—including East Germany, Poland, Hungary, Bulgaria, Czechoslovakia, and the USSR—would begin on 3 August in Bratislava. The Czechoslovaks will not find their task any easier there.

The threat of Soviet military intervention still hangs over Czechoslovakia. Such pressure may continue for some time.

The Soviets have very little support for their position on the Czechoslovak question in Western European Communist parties. They have been seeking to broaden the base of their support in these parties and elsewhere around the world, but without much success.

In the meantime, Bulgarian Communists, [redacted] [redacted] are keeping a tight rein on thousands of fractious young people gathered in Sofia for the ninth world youth festival. Dissension has broken out on ideological grounds, with the Soviet handling of the Czechoslovak problem a major source of contention. There are also nationality problems between Arabs and Israelis, as well as among other national groups. [redacted]

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SOVIETS AND CZECHS AGREE ON MULTILATERAL TALKS

There was a brief respite in the Soviet-Czechoslovak crisis on 1 August as a result of the agreement to move from the bilateral talks at Cierna to a multilateral gathering in Bratislava, scheduled to open on 3 August.

The communique at Cierna, besides announcing the upcoming meeting of Soviets, Czechoslovaks, Poles, East Germans, Hungarians, and Bulgarians, said that the four-day session had been conducted in an atmosphere of "complete frankness, sincerity, and mutual understanding." The formula is one generally used to describe disagreement but not a total impasse. Four out of the six participants in the upcoming meeting at Bratislava have been openly hostile to the Czechoslovaks, with only Hungary's Kadar expressing a limited sympathy. Thus, it appears that the Czechoslovaks will be subject to the same kinds of demands that they faced at Cierna.

The crucial meeting between the leaders of Czechoslovakia and of the Soviet Union began on 29 July at the small Czechoslovak border town of Cierna nad Tisou. The Czechoslovak delegation included the full membership of the presidium and President Svoboda, one of the few leaders of the Dubcek regime who had remained

in the good graces of the Soviets. The Soviets were represented by the full politburo, less Kirilenko and Polyansky, who stayed in Moscow to run the affairs of the party and government.

Both sides had moved to bolster their negotiating positions during the preceding week-end. The Czechoslovak leaders publicly reaffirmed their determination to continue their reform program, at the same time making a few conciliatory moves aimed at the Soviets. On the second day of the meeting, Prague announced that a 35-page list of official secrets had been distributed to news media, a move clearly aimed at countering Soviet criticism of the free-wheeling Czechoslovak press. The Soviets, for their part, intensified still more their military and political pressure against Prague, massing more forces near the Czechoslovak borders and continuing their propaganda barrage.

The Soviets were expected to insist on tight press controls, the reinstitution of orthodox Communist political structures, a voice in the composition of the presidium, and some form of Soviet military presence in

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Czechoslovakia. The Czechoslovaks may have been willing to agree to a token number of Soviet military observers and to provide foreign policy guarantees but reportedly were determined to avoid compromise on the crucial issues of the domestic reform program.

Despite frequent though cryptic assurances by Dubcek

and other Czechoslovak leaders that they were "optimistic" about the outcome of the meeting, there was some suggestion that they had privately been more pessimistic. The departure of Dubcek's wife and two of their three children to Yugoslavia on 31 July has been explained by some Czechoslovaks as only a token of Dubcek's "confidence," but this is hardly convincing.



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25X1 Czechoslovak press reports claimed that Brezhnev fell ill on 31 July and missed at least part of that day's meetings. [redacted]

[redacted] despite his record of apparently minor heart trouble there is nothing to indicate that Brezhnev's illness was serious.

The presence of almost the entire Soviet leadership in Cierna was probably intended to facilitate on-the-spot decision-making and to commit all of the leaders to any agreement with the Czechoslovaks. [redacted]

25X1 [redacted]
25X1 [redacted] there seems little doubt that the Soviet handling of the Czechoslovak crisis has been a controversial issue for the leadership. Whatever direction Soviet policy takes now, there is every likeli-

hood that the controversy will grow.

During the past week, the Soviets apparently continued to build up their military forces near the Czechoslovak borders. [redacted]

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Military attaché reporting indicated that sizable Soviet forces remain in Czechoslovakia.

Moscow further increased its pressure on the Dubcek government by announcing that the rear services exercise that began last week in the western USSR was being extended into Poland and East Germany. Military reservists in these two countries were being called up for the exercise, according to the announcement. There is no evidence that Czechoslovak units have redeployed or been put on a full-scale alert. [redacted]

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SOVIET ECONOMY AGAIN FAVORS MILITARY AND CONSUMER

Moscow's mid-year report on the Soviet economy indicates that the 1966-67 policy of favoring the military and consumer at the expense of growth-oriented investment is continuing. This slighting of investment over the past two-and-one-half years has begun to result in a moderate decline in the rate of growth of industrial output and portends no resurgence in industrial growth for at least the balance of 1968.

During the first half of 1968, civilian industrial output is estimated to have grown at a rate of six percent, the lowest since 1963. This decline in the rate of growth was common to all major sectors of industry--industrial materials, civilian machinery, and consumer nondurable goods. The sharpest downturns were in the rates of growth of rolled steel, forest products, construction materials, some producers' durables, soft goods, and processed foods.

Total industrial output--including military and space hardware--appears to have grown at a somewhat higher rate than the output of civilian goods. The difference results from what apparently is a continuation of high rates of growth in the production of military and space hardware at the expense of civilian machinery

production. One of the results of this policy is that the production and delivery of equipment to agriculture has lagged seriously behind what was planned.

Total investment in both plant and equipment grew slightly, but the growth resulted wholly from new construction because equipment for investment purposes dropped absolutely. Moreover, much of this growth in construction appears to have been concentrated in such consumer-oriented sectors as housing and services, rather than in industrial branches oriented to growth in future production.

Soviet Industrial Growth (Civilian) First Half of 1968

(percent change from corresponding period of previous year*)

	1963-65 (annual avg.)	1966	1967	1968
First Half	--	7	8	6
Full Year	6 1/2	7	7 1/2	8 (plan)**

*Rounded to nearest half
**Including military & space

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Although the over-all mid-year performance in industrial output and gross fixed investment was poor, the Soviet consumer continued to experience moderate improvement in his standard of living. Because of a lag in time between production and sales, the slowdown in the rate of growth of consumer goods so far has not been reflected in retail availabilities. Sales of quality foods--meat, milk, eggs, and fruit--increased at a higher

rate. Even the housing sector, the perennial laggard, performed better than it has for several years. The amount of money in the Soviet citizen's pocket, however, continued to outpace the production of the things he can spend it on--as well as running ahead of the five-year plan goals. This means a further increase in pent-up demand and in latent inflationary pressures.

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BULGARIAN GOVERNMENT REFORM IS NO REAL LIBERALIZATION

The Bulgarian party leadership has outlined major changes in the basic structure of the government and has emphasized the need to revitalize the economy. The reorganization could hardly be characterized as a significant liberalization, however, and the party leadership intends to exercise strict control over the reform measures.

A plenum of the Bulgarian Communist Party's central committee on 24-26 July adopted a resolution providing for new government organs, including a supreme state council, as well as an increase in management authority for Bulgaria's technocrats. The proposed state council will replace the presidium of the National As-

sembly (parliament), and will act as an executive administrative body with the "right to represent the state in international relations."

Bulgarian party leader Todor Zhivkov's ability to get his program adopted by the party hierarchy without any apparent hitches is a further indication of his firm control of the country's power apparatus. When the state council is legalized, Zhivkov probably will resign as premier and become its chairman, thus making him the titular as well as the actual ruler. He has received some criticism for being the only Eastern European party leader who is also premier. As council chairman, Zhivkov would continue to represent Bulgaria in foreign policy

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matters, but he would not be hampered by the cumbersome administrative duties of the premiership.

The plenum resolution also came out in favor of legislative initiative for the judiciary as well as a broader role for the National Assembly, a proposal Zhivkov has championed since 1966. Upgrading the National Assembly's role probably is an attempt to establish at least a facade of parliamentary democracy.

The plenum also took steps to increase the pace of Bulgaria's economic reform, which to date has produced meager results. It recommended the establishment of four new government bodies, presumably with ministerial status, to help

apply the principles of Bulgaria's new system of management, and stressed the need for greater autonomy in the day-to-day decision-making process for the state-run enterprises. If implemented, these changes will in effect give greater authority to technocrats and management specialists at the expense of party hacks.

Although Sofia recognizes the need for economic liberalization, it is aware that a relaxation of party controls over the economy usually cannot be accomplished without a concomitant liberalization of other aspects of national life. To forestall such a development, the regime will probably 25X1 make efforts to tighten further the party's grip on ideological and cultural matters.

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GIBRALTAR'S NEW CONSTITUTION UNLIKELY TO END TENSION

The draft of a constitution for Gibraltar, agreed upon in London on 24 July, reflects British efforts to compromise between the Gibraltarians' demands for closer formal links to Britain and London's wish to avoid exacerbating UK-Spanish relations. The Gibraltarians have accepted the document, but Madrid is likely to take steps to show its disapproval.

The UK will retain the right to handle Gibraltar's foreign affairs, defense, and internal security, which does not displease the Gibraltarians. They are disappointed, however, that Britain has insisted on maintaining the right to intervene in internal affairs "should this be deemed necessary."

Furthermore, although the constitution does provide for much-needed administrative reforms and for universal adult suffrage, it does not satisfy one of the colony's major objectives. Gibraltar had hoped to obtain some constitutional provision that could be used in the UN to argue that decolonization of the Rock has, in fact, been completed, that Gibraltar has a definite link with Britain, and that Spain, therefore, has no claim to the territory.

London, however, does not want to worsen Anglo-Spanish relations, so the body of the constitution does not spell out the legality of the relationship between Britain and the Rock. In-

stead, the preamble will refer to the colony's desire that its relationship with the UK be maintained until such time as two thirds of its population vote to join Spain. This statement will probably satisfy the Gibraltar public for the moment.

When the UK-Gibraltar constitutional talks began last May, Spain denounced them as a violation of UN resolutions calling for Anglo-Spanish negotiations to end the colonial situation in Gibraltar. Madrid emphasized its disapproval by closing its land frontier with Gibraltar to all except Spanish workers employed on the Rock. Inasmuch as the border closure did not disrupt the talks, Madrid may now retaliate by halting ferry service between the Rock and Algeciras, and by enforcing its claim to territorial waters traditionally used by the UK in port operations. Last weekend, Spanish police at the Algeciras ferry dock began restrictions there by refusing passage to Gibraltarians who did not have new-type Spanish passes.

In addition, Spain will undoubtedly appeal to the UN for further action in line with the General Assembly resolutions. Madrid is also seeking US support for return of Gibraltar as one of its terms for renewing the US-Spanish defense agreement now being renegotiated.

With neither London nor Madrid apparently ready to concede, the prospects are for a long period of continued tension.

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SECRET**FAR EAST**

Enemy-initiated ground activity stayed at a relatively low level although mortar, rocket, and terrorist attacks increased somewhat. There continue to be numerous indications that the Communists are gearing for possible large-scale offensive action sometime this month. In some areas, enemy forces may already be prepared, but in others they still seem days or possibly even weeks away from combat readiness.

In Saigon, President Thieu is mending his fences with strongly anti-Communist Catholic elements. [REDACTED]

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[REDACTED] Thieu's cultivation of the Catholics would no doubt contribute to improved relations between Premier Huong's government and the Upper House, but the President may be risking poorer relations with other Vietnamese groups, especially the Buddhists, who still recall the Diem period with great bitterness.

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For the moment at least, the pendulum appears to be moving toward a middle position between the excesses of the "right" and the "left" in the Chinese Cultural Revolution. The army is proceeding with considerably more vigor to control violence in Canton and surrounding Kwangtung Province. Evidence of tougher military action is thus far limited to south China, where the continued high incidence of disorder would cause Peking special concern. Nevertheless, propaganda broadcasts both from Peking and from a number of provinces have taken a more moderate tack in recent weeks, and there has been considerably less open encouragement of unbridled radicalism.

The small-scale night attack on the Udorn Air Base in Thailand was an amateurish affair, probably the work of local Thai Communist insurgents. Despite heightened security around US-occupied air bases, however, these installations are considered still vulnerable to similar raids. The Thai Communists might be tempted to try new attacks in the hope of counterbalancing their lack of success in other efforts against Thai security forces and of fanning popular apprehension over the massive US presence in a year when elections for the national assembly are to be held. [REDACTED]

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VIETNAM

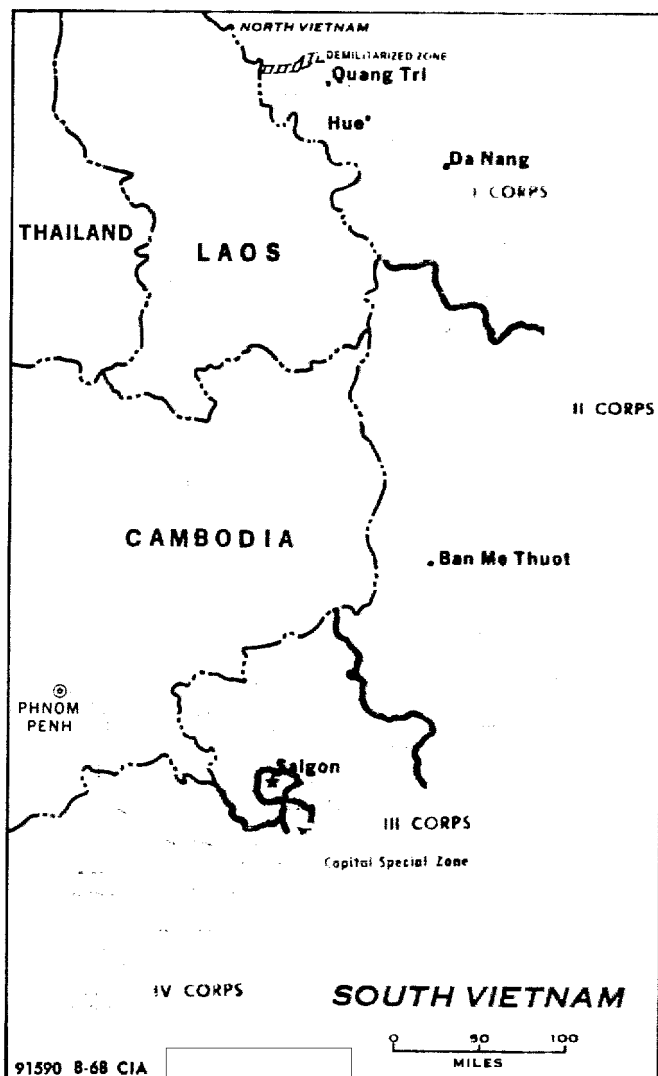
Communist-initiated ground actions remained at a low level as the enemy seems still to be preoccupied with preparations for a possible major new offensive. Although the timetable may be subject to change, intelligence reports [] continue to suggest that a country-wide offensive may be planned for the second or third week in August.

The Communists are capable of mounting multiregimental attacks at any time in several areas--across the Demilitarized Zone, central I Corps, Ban Me Thuot, and northwestern III Corps--but available information indicates that enemy preparations for attacks against Saigon and key objectives in I Corps are not yet in the final stages.

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In the Demilitarized Zone area, elements equivalent to two divisions, and possibly a third, appear to be in place.

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In the Da Nang area, Communist forces are still apparently in the initial stages of preparation for a major offensive. The enemy's intention of penetrating Da Nang itself was confirmed on 28 July when allied forces captured a Communist stockpile of arms and ammunition within the city. The next day, allied forces clashed with an 11-man enemy reconnaissance team in Da Nang. Interrogation of captured members of the team produced information that their mission was to reconnoiter the I Corps headquarters and a bridge for possible rocket or sapper attacks in early August.

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There is additional evidence of enemy intentions to launch some kind of an offensive against Saigon. Documents recently captured near Saigon indicated that enemy preparations for the "third phase" were to be completed by 5 August. Communist practice in the past indicates that an attack could follow this date by five to ten days.

Political Developments
in Saigon

The Huong government made further progress during the week in strengthening its credentials with the legislature as a firmly anti-Communist regime that will not sell the country short. Its most dramatic move was to sentence politician Truong Dinh Dzu and a student editor to five years at hard labor. Dzu, an unsuccessful candidate in last fall's presidential elections, has been in and out of "protective custody" since last February, most recently for a statement he is alleged to have made advocating talks and coalition with the National Liberation Front. The student's crime was the publication of articles favoring a "false peace."

These sentences and other recent government actions appear to be muting Catholic opposition

to Huong in the Upper House.

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Although Thieu's promotion of Catholic political interests would certainly improve his standing in the Upper House, where the Catholics are heavily and disproportionately represented, it would also be likely to arouse the apprehensions of many who recall the Diem period with bitterness, particularly the Buddhists.

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ARMY CRACKS DOWN IN SOUTH CHINA

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[redacted] tough army action in the past week against unruly Red Guards in the city of Canton and in Kwangtung Province. The army action has included much more active patrolling, house-to-house searches for weapons in Canton, and swift intervention by army units when disorders have occurred. This is clearly an attempt to arrest the deteriorating situation in the province, which for over two months has been wracked by troubles approaching, though not equaling, those of last summer.

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[redacted] several Western press reports have linked the military action in the south with a nationwide directive ordering the army to again suppress Red Guard troublemakers. Authorities in Peking have shown signs of concern about the situation in the south for over a month, but there is as yet no clear evidence that orders similar to those of January and September 1967 have been issued by Peking. Army units apparently have not yet taken drastic action against unruly Red Guards in other troubled areas of the country; any order from Peking to the military in Kwangtung and Kwangsi is probably

limited in scope and less sweeping than the earlier directives.

The tone of propaganda broadcasts both from Peking and from a number of provinces has changed in the past several weeks, however, and encouragement for unbridled radicalism has abated. Warnings against the "extreme left" as well as the "right" have begun to appear and some Red Guard activities have been criticized. A rare pronouncement by Mao on the subject of technical and scientific education--a subject that has generally been ignored when radicalism has been on the increase--has been given great prominence in the past week.

Despite these multiplying signs that more "moderate" views are being expressed both in Peking and in the provinces, the level of disorder in the country still remains high. The army's severe measures in Kwangtung and Kwangsi have reduced, but have not eliminated, violence in those provinces, and some open defiance of the army has been reported. [redacted]

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PHILIPPINE-MALAYSIAN RELATIONS REMAIN STRAINED

The Philippines seems disposed to damp down the dispute over Sabah while Malaysia, although agreeable to an easing of tensions, remains adamantly opposed to any further discussion of the Philippine claim. Malaysia considers discussion of the Sabah claim to have closed with the collapse of the talks in Bangkok in mid-July, but it has said it is agreeable to talks with the Filipinos on other topics of mutual concern.

Both sides have taken steps to reduce the likelihood of a military incident. Late last week, Manila moved quickly to scotch press stories that a flotilla of Malaysian gunboats was near Philippine islands off Sabah.

In respect to Sabah, however, Malaysian Prime Minister Rahman has maintained his "outrage" at what he sees as repeated instances of Philippine duplicity. The Malaysians are considering showing their displeasure further by scrapping the Philippine-Malaysian anti-smuggling agreement, which has benefited the Philippines by cutting the flow of contraband from Sabah.

Regional conferences may provide a venue for keeping open channels of communication and allowing relations to become more normal. At the Asian and Pacific Council session in Canberra this week, however, Malaysia apparently was deliberately represented by a low-level delegation that could not have engaged in constructive talks with the Filipinos. The Association of Southeast Asian Nations meeting in Djakarta beginning on 6 August is to be attended by the foreign ministers of both countries, and may provide a more promising occasion for talks.

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THAI COMMUNISTS ATTACK US-OCCUPIED AIR BASE

Communist terrorists have made no attempt to follow up their raid on the Udorn Air Base, which appears to have been locally inspired.

The brief night attack on 26 July, which apparently was targeted mainly against US military aircraft, was carried out by some ten terrorists armed with AK-47 automatic weapons and crude demolition charges. The raiders were quite inept but managed, nevertheless, to damage two aircraft by gunfire while killing one Thai and wounding four American defenders. Two of the Communists were killed.

Although Thai military and police units have now been alerted to attacks against US-occupied air bases in insurgent-infested northeast Thailand, US officials consider the bases still vulnerable to similar attacks. The raid may, however, prod Bangkok

to implement more effective base security measures, heretofore handled by local officials.

The lack of discipline and the poor condition of the equipment of the attackers suggest that the raid was undertaken on local initiative. Thai insurgents have, however, traditionally received training, arms, and guidance from the Pathet Lao and Hanoi.

The Thai Communists have been notoriously unsuccessful in their military efforts against Thai security forces and may have hoped that a dramatic move would improve their image and also demonstrate their capability to strike a blow against the US "aggressor." With national elections coming up, the Thai Communists may also believe that the time is right to bring susceptible and politically influential Thais to question the continuation of a massive US presence.

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SECRET**MIDDLE EAST - AFRICA**

The rate of terrorist incidents and firefights along the Jordanian-Israeli cease-fire line has increased during the past week. A potentially serious confrontation occurred early in the week when the Jordanians refused to permit the entrance into Jordan of several busloads of Palestinian refugees from Gaza who were being moved by the Israelis through the West Bank to the Jordan River.

The Israeli aircraft that was hijacked by Palestinian terrorists is still in Algiers, along with its male Israeli passengers and crew members. The Israelis so far have limited themselves to exerting heavy diplomatic pressures through various governments to have the plane released, but their patience is probably wearing thin.

The Baathists apparently are in firm control in Iraq. An all-Baathi regime is likely to pose a greater threat to neighboring Syria than the ousted, more moderate government.

In Southern Yemen, the smoldering factionalism within and without the government last week erupted into open mutiny and rebellion. The army now appears to be able to control the situation, but the possibility of further outbreaks remains.

Egyptian President Nasir arrived in the USSR last week after publicly announcing that he was going there for two or three weeks of medical treatment. Nasir has diabetes, and circulatory or peripheral nerve complications resulting from it probably necessitated his trip.

Prospects for an end to the Nigerian civil war through peace talks, now scheduled for 5 August in Ethiopia, took a tumble this week. Official French support for Biafra's drive for independence--announced on 31 July--could provoke Lagos to begin a major offensive that has been under preparation in case talks again break down. The Biafrans, moreover, will be encouraged to continue their stubborn resistance and to maintain their hard line toward peace negotiations.

The continuing power struggle in Congo (Brazzaville) between relatively moderate President Massamba-Debat and radical-leftists has moved into the streets and threatens to plunge the country into chaos. Massamba-Debat yesterday dissolved the National Assembly, suspended party activities, and created a "Committee for the Defense of the Revolution."

In India, good weather and stepped-up development efforts have produced record harvests, conservatively estimated by the government at 95.6 million tons during the crop year that ended last month. Even this, however, may not be enough to restore consumption to the inadequate levels of the early 1960s. The monsoon, which has just arrived, must be favorable if the momentum toward self-sufficiency is to be maintained.

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BAATHISTS OUST PARTNERS IN IRAQ

The uneasy coalition of junior and senior army officers and elements of the "moderate" wing of the Iraqi Baath Party that seized power on 17 July split this week, apparently leaving the Baathists in firm control.

Signs of friction between al-Nayif--leader of the junior officer group calling itself the "Arab Revolutionaries' Movement" which apparently sparked the coup--and Ahmad Hasan al-Bakr, leader of the moderate Baathists, began to emerge as soon as former president Arif was safely out of the way. Each leader seems to have been trying to ease the other's followers out of positions of power and replace them with his own men. Al-Bakr, 18 years older than al-Nayif and with previous coup experience, proved to be better at maneuvering; al-Nayif is now in Morocco.

In his radio and TV address following al-Nayif's departure, al-Bakr gave his own version of the coup. Not surprisingly, he maintained that the coup was to have been Baathist both in planning and execution, but al-Nayif allegedly got wind of it and insisted on the premiership as the price of his cooperation. Once in power, according to al-Bakr, al-Nayif went on to lead a "coun-

terrevolutionary" movement to destroy the revolution's objectives. In his list of al-Nayif's crimes, al-Bakr placed greatest stress on his reactionary oil policy. It seems likely that al-Nayif was prepared to go a great deal further than recent Iraqi regimes in reaching an agreement with the Iraq Petroleum Company.

Following al-Nayif's removal, al-Bakr--already President--assumed the added role of prime minister in a new cabinet. At least 11 of the 26 cabinet members are Baathists, including the ministers of defense, interior, and foreign affairs, and many were members of the short-lived Baathist cabinet formed after the coup of February 1963. Seven Baathist and four non-Baathist members of the ousted al-Nayif government have been retained, including two Kurds; other members are technicians and political unknowns.

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STUDENT UNREST IN TURKEY PROVOKES REACTION

A growing confrontation between radical leftist and rightist groups has put the Demirel government on the defensive and has again underlined the importance of the Turkish Army as the final arbiter of political conflict in the country.

Open clashes took place between the supporters of a rightist coalition and members of a leftist teachers union attempting to hold an anti-US rally in Konya during the night of 23 July. The leftist rally appears to be part of a coordinated campaign designed to remove the US military presence from Turkey and to get Turkey out of NATO. It followed several days of leftist student attacks on visiting US Navy personnel in Istanbul and scattered incidents directed against US military personnel stationed elsewhere in Turkey.

The Turkish Government was at first hesitant about suppressing the rioting leftist students in Istanbul, but later local police and army troops moved in strongly to quell the disorder. Leftist protest broke out anew when one of the students involved in a clash with the police died on 24 July. Additional demonstrations and counterdemonstrations were quickly organized and, unless the government imposes a ban, they could grow in frequency and intensity.

Fears that the present situation might parallel that of 1960, when the army joined with socialist-oriented student protesters to topple the Adnan Menderes government, have been quieted by the army's decisive move against students in the Istanbul rioting. The leftist opposition's attempt to drive a wedge between the military on one hand and the national government and the police on the other does not appear to be succeeding. Chances for another student-army coalition are further weakened by the violently antileftist views of Turkey's top soldier, chief of the Turkish General Staff Cemal Tural. 25X1

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WESTERN HEMISPHERE

Latin America was generally quiet last week except for Mexico, which is experiencing its worst disorders in decades, and Bolivia, where a political crisis is brewing.

The series of student riots in Mexico is a classic example of the Communists' ability to turn peaceful demonstrations into major disturbances. As of 1 August, relative calm had returned to Mexico City following talks between students and the authorities, but the ready issues of police brutality and university autonomy still provide radicals ample opportunity for exploitation.

Bolivian President Barrientos' troubles, which began with Cuban publication of the Guevara diary, were compounded by his appointment of an all-military cabinet on 27 July. Most armed forces leaders are strongly opposed to bringing the military into the government, and many high-ranking officers are openly critical of the way Barrientos has handled the situation.

Tensions generated over Venezuelan claims to the disputed Essequibo region of Guyana and the waters off the Essequibo coast have lessened. Venezuelan Government officials have stopped issuing statements on the subject in an apparent effort to cool the crisis. Guyana is also disposed to let the issue die down, and is contenting itself with diplomatic appeals for support from friendly governments.

A few Communist parties in Latin America have commented on the Soviet-Czech dispute. The Mexican party reportedly supports Moscow unequivocally. The party newspaper initially supported Czechoslovakia, but has been silent on the issue recently. Venezuelan Communists have also thrown their support behind the Soviet Union. The Communist Party of Chile, which is the hemisphere's leading exponent of the peaceful road to power, initially tried to maintain a neutral position. Recently, however, the party stated that it "shares the preoccupations expressed in the Warsaw letter."

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STUDENTS STAGE MAJOR DISORDERS IN MEXICO

The disorders that began in Mexico City on 26 July are a classic example of the Communists' ability to divert a peaceful demonstration into a major riot. Technical students protesting police intervention in a student problem several days previously were agitated by Communist youths out celebrating the Castro revolution. The result was a wild confrontation with police during which many injuries and much property damage occurred.

Student zeal to continue the campaign against police brutality and authority in general erupted into a second, more serious, and apparently spontaneous manifestation early on 30 July. Harsh police methods designed to break up a student fight apparently precipitated a general rampage of secondary school students that soon became uncontrollable. The federal paratroopers who were called in to restore order roughed up several hundred youths and broke into university-connected schools, thereby violating university autonomy.

Mounting student grievances over police treatment in the current crisis are aggravating the poor relationship between the students and the government. The Diaz Ordaz administration has been confronted with a continuing series of student strikes

over a variety of local issues for the past three years. Demonstrations of sympathy and support for their student comrades in Mexico City by provincial youth groups may preclude an early solution to the present situation. Two students are reported dead in the Mexican Gulf state of Tabasco in the wake of a student-police fray, and student rioting has occurred in Jalapa, the capital of Veracruz.

The administration has made good on Diaz Ordaz' warning several weeks ago to leading Communists that the government would hold them culpable for any disruption of order prior to or during the Olympics. The government's immediate response to the first outbreak on the 26th, which was in fact Communist-incited, was to arrest a number of prominent Communists.

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NEW BOLIVIAN CABINET REKINDLES POLITICAL CRISIS

The political crisis first sparked by the Guevara diary scandal has been rekindled by President Barrientos' naming of a new cabinet composed entirely of military officers. The cabinet appointments, announced on 27 July, are opposed not only by civilian politicians but by the armed forces as well.

The cabinet is a patchwork of second-rate military officers and cronies of the President. Despite their lack of qualifications, Barrientos apparently decided that military cabinet ministers would strengthen his hand in dealing with opposition groups and would reduce the armed forces' potential for independent action.

The armed forces high command believes that the military should not be incorporated into the government and is particularly displeased with most of the ministers. On 30 July, armed forces commander General Ovando sought to disassociate the armed forces from the cabinet by issuing a communiqué denying that the cabinet reflects official military participation in the government. Al-

though military leaders continue to proclaim their support for Barrientos, several officers have mentioned the possibility of a coup.

General Ovando's assertion that the cabinet is an emergency measure and that it will not last longer than 20 days, plus the fact that the new ministers have retained their previous offices, indicate that a new cabinet may be named soon. Barrientos has denied this, however, and has said that he may take even stronger measures. The President has indicated that he may not call Congress to session on 6 August. Such action would deny his political opposition an opportunity to question the government's handling of the diary episode, and possibly to censure the new cabinet ministers.

If civilians are not brought into the government soon, and if the opening of Congress is delayed, Barrientos risks losing the support of progovernment political elements. Opposition groups, particularly students, are already taking advantage of the large military role in the government to rally sentiment against Barrientos.

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PERU TO TAKE OVER US-OWNED OIL FIELDS

President Belaunde's announcement that the government will take over the La Brea and Parinas oil fields from the International Petroleum Company (IPC) is intended to have the appearance of forcing the company to accept a harsh settlement but appears to follow an offer recently made by IPC.

Belaunde told a joint session of Congress on 28 July that a solution has been reached in the dispute with IPC over the ownership and operation of two oil fields, which has been a major political issue for several years. The agreement calls for IPC to turn over to the state petroleum company all of its installations in the oil fields and relinquish any rights it has to the subsoil mineral deposits in the two areas. In his announcement, the President carefully refrained from indicating that any quid pro quo is to be received by the company as a condition for settlement.

Although reaction to the announced solution has been generally favorable, some of the more radical and nationalistic politicians have criticized the government for taking over the oil fields and leaving the more profitable Talara refinery in the hands of the company. The Popular Action Party's presidential nominee for 1969 termed the President's announcement "very satisfactory," but said it was "lamentable" that the Talara refinery was not included. Christian Democratic spokesmen said it was like giving "the state the bone and IPC the meat." The Peruvian press has also taken exception to a press statement out of Washington that implies IPC will be given monetary compensation for its losses.

Problems could still arise in the negotiations over details, but for now there is hope that some of the emotion and the political pressure will be removed from the issue.

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CASTRO RELAXES "REVOLUTIONARY OFFENSIVE" IN CUBA

Fidel Castro concentrated almost entirely on domestic problems in his speech on 26 July marking the 15th anniversary of the beginning of the Cuban revolution. As in two other speeches this month, Castro attempted to modify some of the harsh reforms of the "revolutionary offensive" launched last March. Despite his frequent denunciations of material incentives, Castro said that "some measures" to reward workers materially are necessary. He also contradicted his statements earlier this year that money would be abolished.

In nearly all of his previous speeches this year, Castro demanded greater sacrifices from the people while imposing numerous austerity measures and inducting thousands for "volunteer" agricultural work. The "revolutionary offensive," originally aimed at nationalizing small businesses and at restoring "momentum and purity" to the revolution, was also an attempt to mobilize workers for the 1968 sugar harvest.

Castro is apparently moderating the intensity and scope of the "revolutionary offensive" because he is concerned with increased opposition to his policies. His decree last March that closed all bars and night clubs and sharply curtailed beer production has been particularly unpopular. In a speech on 24 July, Castro attempted to explain the measures. He states that the "revolution has nothing against beer," and

that production of beer and a nonalcoholic substitute will be increased.

In the same speech, Castro talked extensively about food production. He apparently sought to mollify the populace in the wake of six months of increased food shortages and rationing. 25X1

The adjustments in the "revolutionary offensive" are probably also a result of a general relaxation of tensions following the completion of the sugar harvest. The extensive propaganda campaign that accompanied the inauguration of the offensive last spring has slackened. The harvest of slightly more than 5 million tons is a significant setback in Castro's plan to produce 10 million tons in 1970. Nevertheless, Castro may be satisfied that an optimum effort was made, and that without the large mobilizations of workers and the strident propaganda campaigns the harvest would have been significantly smaller.

It is unlikely that Castro will completely abandon the "revolutionary offensive" or disclaim its objectives. It will probably be gradually forgotten, however, now that its major objectives have been met. In the past, Castro has frequently resorted to such high-pitched campaigns to give

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impetus to certain programs. Unlike most of them, the "revolutionary offensive" also attempted to define a new "revolutionary morality" in Cuba. This aspect

is likely to be continued, perhaps in new propaganda campaigns or in other programs designed to involve the population more directly in the revolution.

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SLIGHTLY GREATER AUTONOMY IN PROSPECT FOR BAHAMAS

Britain has agreed to discuss the Bahamas' requests for increased autonomy, with talks scheduled to begin on 19 September. The government of Premier Pindling appears to be in a strong bargaining position after the general elections in April in which it won 29 of 38 seats in the House of Assembly.

The British are likely to agree to minor constitutional adjustments, such as a Bahamian request for a government voice in the Senate--whose members now are appointed by the British governor. The Bahamian Government probably will also be granted increased authority in foreign affairs, enabling it to sign economic and other types of international agreements.

The question of control over internal security will probably prove troublesome. The Bahamian Government is seeking a greater voice in police matters, but the British have been reluctant to relinquish any control. Premier

Pindling has been critical of British performance in this area. He has recently criticized their handling of the large number of Haitian emigrés, particularly those engaged in anti-Duvalier activities.

Another difficult and extremely important point at issue will be the attempt of the Bahamas to gain control over its foreign exchange reserves and to augment them with dollars rather than sterling. The Bahamas is a net foreign exchange earner for the British, who have so far refused to give up their right to regulate Bahamian reserves.

No basic change in the present governmental arrangement is likely to result from the talks, and full independence is probably several years away. British acquiescence in Bahamian demands for minor constitutional adjustments, plus the recent appointment of a more sympathetic governor, however, may improve relations.

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